

## Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 EB-08

NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03

CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04

OPIC-06 LAB-04 SIL-01 PA-02 PRS-01 DOE-11 SOE-02

DODE-00 HEW-06 INT-05 /135 W

-----001957 020956Z /10

R 020705Z FEB 78

FM AMEMBASSY MANAMA

TO SECSTATE WASHDC 5748

INFO AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY ATHENS

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

UNCLAS SECTION 1 OF 2 MANAMA 0302

ATHENS FOR RTDO

E.O. 11652: N/A

TAGS: ECON, EFIN, BA

SUBJECT: BAHRAIN ANNOUNCED TWO-YEAR STANDFAST BUDGET

1. SUMMARY: THE GOB HAS PUBLISHED ITS FIRST TWO-YEAR BUDGET COVERING CALENDAR YEARS 1978 AND 1979. ANOTHER INNOVATION IN THIS BUDGET IS PLANNING AND ALLOCATION BY PROJECT RATHER THAN THE TRADITIONAL GRANT OF LUMP SUMS FROM THE ESTIMATED REVENUES TO EACH MINISTRY. THE BUDGET IS A VERY CONSERVATIVE, STANDFAST DOCUMENT WITH VIRTUALLY NO NEW PROJECTS, A REDUCTION IN DEVELOPMENT EXPENDITURE FOR THE SECOND YEAR AND RECURRENT EXPENDITURE BUDGET WHICH WILL REQUIRE SOME RETRENCHMENT  
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WITHIN THE GOVERNMENT IF ENFORCED. END SUMMARY.

2. THE BUDGET WOULD BE BALANCED AT B.D. 280 MILLION EXPENDITURE AND REVENUE EACH OF THE TWO YEARS. THE LAST BUDGET WAS B.D. 249.5 MILLION EXPENDITURE, 235.5 MILLION REVENUE AND B.D. 14 MILLION DEFICIT. HQF 1978 THE GOB PLANS FOR B.D. 135 MILLION (111 MILLION IN 77) IN RECURRENT

EXPENDITURES AND B.D. 145 MILLION FOR CAPITAL PROJECTS (B.D. 138.5 IN 1977). THE RESPECTIVE EXPENDITURE FIGURES FOR 1979 ARE B.D. 150 MILLION AND B.D. 130 MILLION.

3. THE INCREASE IN EXPENDITURE OF ONLY 12 PERCENT FOR 1978 OVER 1977 FOLLOWED BY NO INCREASE IN 1979 WILL ASSURE SOME RETRENCHMENTS IN THE RECURRENT EXPENDITURE PORTION OF THE BUDGET. THE INCREASE IN RECURRENT EXPENDITURES OF SLIGHTLY MORE THAN 20 PERCENT AND 10 PERCENT IN THE TWO YEARS IS NOT EXPECTED TO COVER INCREASES NECESSARY TO MAINTAIN REAL WAGE RATES IN GOVERNMENT PLUS SOME INCREASED GOVERNMENT EMPLOYMENT IN THE FEW GROWING PROGRAMS SUCH AS HEALTH AND EDUCATION.

THUS THE GOB WILL BE FACED DURING THIS PERIOD WITH ADJUSTING IZS BUDGET, FINDING NEW REVENUES OR LIMITING WAGE INCREASES WITH THE RISK THAT MORE TALENTED EMPLOYEES MIGHT SEEK WORK IN RICHER NEIGHBORING COUNTRIES. THE GOB ALREADY IS UNDERTAKING LAA SERIOUS SURVEY OF INEFFICIENT USE OF PERSONNEL TO MOVE POSITIONS INTO HIGHER PRIORITY PROGRAMS. THE AMERICAN DIRECTOR OF BAHRAIN'S CIVIL SERVICE HAS SAID THAT THE GOVERNMENT CAN AND MUST REDUCE ITS TOTAL WORK FORCE, WHICH WOULD BENEFIT THE PRIVATE SECTOR WHICH SUFFERS A SHORTAGE OF CLERICAL AND PROFESSIONAL PERSONNEL.

4. THE DEVELOPMENT SECTOR IS THE MOST SEVERELY AFFECTED SEGMENT OF THE NEW TWO-YEAR BUDGET. THE B.D. 145 MILLION FOR UNCLASSIFIED

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1978 IS ONLY ABOUT 5 PERCENT ABOVE THAT OF 1977 AND THE

B.D. 130 MILLION FOR 1979 IS AN 11 PERCENT DECREASE FROM 1978. THE DEVELOPMENT BUDGET DOES CONTINUE THE GOB'S EMPHASIS OF THE PAST SEVERAL YEARS ON THOSE SECTORS WHICH IMPACT MOST BENEFICIALLY ON THE "STANDARD OF LIFE". THE POWER SECTOR

WILL RECEIVE B.D. 66 MILLION (24 PERCENT) OF THE DEVELOPMENT BUDGET OVER THE TWO YEARS. HOUSING IS SLATED FOR B.D. 62 MILLION (22.5 PERCENT). THE NEW SEWAGE PROJECT ON WHICH CONSTRUCTION IS JUST STARTING IN MANAMA WILL RECEIVE B.D. 47 MILLION (17 PERCENT). ALLOCATIONS FOR PORT DEVELOPMENT WILL DECREASE, NOW THAT MAJOR CONSTRUCTION IS WELL UNDER WAY, TO B.D. 19 MILLION (7 PERCENT). WHILE THE DEVELOPMENT BUDGET WILL PERMIT COMPLETION OF THE ELECTRICITY GENERATION, HOUSING AND SEWAGE PROJECTS WHICH ARE UNDER CONSTRUCTION OR OUT-FOR-TENDER THERE WILL BE VIRTUALLY NO NEW STARTS ON GOVERNMENT PROJECTS DURING THE COMING TWO YEARS.

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AMEMBASSY KUWAIT

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

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ATHENS FOR RTDO

5. VIEWING RECURRENT AND DEVELOPMENT EXPENDITURES TOGETHER,  
THE MINISTRIES

WITH THE GREATEST INCREASES IN 1978 OVER

1977 ARE: DEFENSE (48 PERCENT); EDUCATION (34 PERCENT);

WORKS, POWER AND WATER (34 PERCENT); HEALTH (30 PERCENT);

AND INTERIOR (27 PERCENT). THE INCREASES IN EDUCATION AND

HEALTH GOES ALMOST ENTIRELY TO PLANNED INCREASES IN STAFF

FOR SCHOOLS AND THE RECENTLY COMPLETED CENTRAL MEDICAR

FACILITY. THE WORKS, POWER AND WATER INCREASE REFLECTS

CAPITAL EXPENDITURE ON ELECTRICITY GENERATION AND SEWAGE

PROJECTS. THIS YEAR THE FIRE BRIGADE WAS INTEGRATED INTO THE

INTERIOR MINISTRY ACCOUNTING FOR SOME OF THAT INCREASE, THE

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REMAINDER OF WHICH IS PRIMARILY INCREASED STAFF IN SEVERAL

FUNCTIONS. THE INCREASE IN DEFENSE EXPENDITURE WILL BE

CONSTRUCTION ON NEW AND IMPROVED HEADQUARTERS, BASE

FACILITIES, AND HOUSING WITH MORE LIMITED INCREASE IN MATERIAL PURCHASES.

6. THE GOB DID NOT BREAK THE B.D. 280 MILLION REVENUE ESTPCATE FOR 1979 DOWN INTO SOURCE CATEGORIES BUT SHOWS THE FOLLOWING REVENUE SOURCES FOR 1978 (1977 FIGURES IN PARENS): TOTAL OIL REVENUE B.D. 170 MILLION (B.D. 150 MILLION); GOVERNMENT FEES AND SEFVICES B.D. 69 MILLION (B.D. 45 MILLION) GRANTS, LOANS AND BONDS B.D. 41 MILLION (B.D. 40 MILLION). OF OIL REVENUE B.D. 82 MILLION (B.D. 70 MILLION) ARE ESTIMATED TO COME FROM THE 50 PERCENT OF THE REVENUES OF THE ABU SAFAA FIELD WHICH SAUDI ARABIA GRANTS TO BAHRAIN. THIS IS THE FIRST TIME THAT ABU SAFAA HAS CONTRIBUTED MORE THAN HALF OF THE BAHRAIN OIL REVENUES.  
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## Message Attributes

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**Type:** TE  
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